

Missouri  
Department of Revenue

## What to Expect In a Sales and Use Tax Audit

### A taxpayer's guide to the audit process

*"Hello, my name is  
Lisa Jones. I'm a tax  
auditor for the Missouri  
Department of Revenue and  
I'll be conducting a sales tax  
audit of your business."*



Do these words fill you with fear and dread? Do you automatically assume the worst? Facing a sales tax audit can be intimidating when you don't know what to expect. That's why we've written this brochure. We want to provide you with the information you need to be prepared and relaxed when the auditor arrives at your business.

You probably have a lot of questions about the audit process. This brochure will provide answers to the most frequently asked questions. If you need additional information please contact one of the Field Audit Offices listed.

### Why does the Department of Revenue conduct tax audits?

The department's tax auditors are authorized by law to conduct compliance audits for sales, use and withholding tax. Audits are straightforward; the department strives to make them as simple and efficient as possible.

We want the audit to be a **positive educational experience** for you. Our goals are to:

- educate you about tax requirements so that you can bring your company into compliance;
- explain any errors you may have made and show you how to correct them; and
- make suggestions to improve or modify your record keeping practices to eliminate future errors.

### What's the first step in an audit?

An audit assignment begins when an auditor places a phone call or sends a letter to you, the taxpayer, to schedule a date for a **pre-audit meeting**. This meeting can be conducted before we start the audit fieldwork, or we can conduct it on the first day of the audit.

At the pre-audit meeting, the auditor will:

- present an **Audit Authorization Letter** and other documents for you to sign;
- explain what records are required to complete the audit; and
- ask you to provide additional information such as details of your accounting procedures.

If you believe it would be beneficial, you may have an outside accountant or attorney assist you in the audit. You must complete a power of attorney form that allows us to work with a designated third party on your behalf. Your auditor can provide you with the form.

### What can I do to prepare for a scheduled audit?

The most important thing you can do is to provide the auditor with an organized and **complete set of business records**. The audit will go much faster for both you and the auditor.

### What records are examined?

When you have the requested records available, the auditor will begin the actual **audit fieldwork**. We will run a series of checks and balances to determine if your system of record keeping is working correctly.

We will take a look at your invoices to make sure they match your records and the amounts you reported on the sales and use tax returns. Depending on the volume of invoices, we may examine all invoices or select a representative sample to review. We will also review the income tax withheld from employees' income to make sure that all amounts withheld have been properly remitted to the department.

### Auditing your sales

We'll check to see if you've correctly charged, collected and paid state and local taxes. You should charge tax on all taxable items and taxable services. If you don't, you must have a record of why you didn't collect the tax, such as a valid exemption certificate or a bill of lading to show the item was delivered out of state.

### Auditing your purchases

We'll examine your purchases to verify that you paid or accrued tax when applicable. As a general rule, purchases that your business uses or consumes are

subject to tax. Most Missouri vendors should charge you tax unless you have issued an exemption certificate. Some out-of-state vendors are registered to collect tax. If you purchase consumables from an out-of-state vendor not registered with Missouri, you may owe use tax. If you didn't pay tax on a purchase, you'll need records to explain why not.

If you paid tax that you didn't owe, we'll help you get a credit or refund. (For example, you're not required to pay tax on items you buy to resell or on certain items used in your production process.)

### **When we're finished . . .**

At the close of the audit fieldwork, the auditor will present you with a copy of the **audit workpapers**. These workpapers will include questions that we noted during the audit, or reporting errors and transactions that were not properly supported with documentation.

We want to discuss the results of our findings with you. The auditor will schedule a meeting with you to review the items listed on the workpapers. We want you to understand:

- any errors we've found;
- how you can avoid making the same type of errors again; and
- why we made any changes to the taxes you reported.

You will have ample time to review the workpapers and provide sufficient documentation to resolve any questions or concerns.

After you have reviewed the workpapers with the auditor, we will calculate the tax on any remaining taxable items and you can pay the additional tax due. If there are findings in the workpapers that you do not

agree with, you may request an **informal review** or you may **appeal** the audit assessment. The auditor will explain how the informal review and appeal processes work and tell you whom to contact at the Department of Revenue.

### **A final word from the department . . .**

Our goal at the Department of Revenue is to make it as easy as possible for you to comply with Missouri tax laws. To achieve this goal, we strive to simplify our processes and provide you with excellent customer service.

If at any time during the audit process you have questions or concerns, please feel free to contact your auditor's supervisor or manager.

**Missouri Department of Revenue**  
**Division of Taxation and Collection**  
**Field Audit**  
**P.O. Box 400**  
**301 W. High Street**  
**Jefferson City, MO 65105**  
**[www.dor.state.mo.us/tax](http://www.dor.state.mo.us/tax)**  
**or**

### **Contact your local Field Audit Office**

Kansas City (816) 889-2901  
St. Joseph (816) 387-2240  
St. Louis (314) 877-0417  
Cape Girardeau (573) 290-5840  
Jefferson City (573) 751-8374  
Columbia (573) 884-3817  
Springfield (417) 895-6477 or 6478  
Joplin (417) 629-3027  
Dallas (972) 934-8183 or 8178  
Chicago (847) 699-7619  
New York (516) 933-2880 or 2881

